



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Pension Fund Fiscal Note 2019 Biennium

Bill #	SB0143	Title:	Revise retiree return to work provisions in the teachers' retirement system
Primary Sponsor:	Lang, Mike	Status:	As Amended in House Committee

Retirement Systems Affected: ☒ Teachers ☐ Public Employees ☐ Highway Patrol ☐ Police
☐ Sheriffs ☐ Firefighters ☐ Volunteer Firefighters ☐ Game Wardens ☐ Judges

Check the box if "Yes".

- ☐ Has this legislation been reviewed by the legislative interim committee?
- ☒ Has the cost of this legislation been calculated by the system's actuary?
- ☐ Does this legislation include full funding for any benefit revisions?

	July 1, 2016 Current System	July 1, 2016 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$5,483,674,000	\$5,483,674,000	\$0
Present Value of Actuarial Assets	\$3,798,944,000	\$3,798,944,000	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$1,684,730,000	\$1,684,730,000	\$0
Amortization Period (years) of UAAL	24.00	24.00	0.00
Change in normal costs	9.87%	9.87%	0.00%

	FY 2017 July 1, 2016	FY 2018 July 1, 2017	FY 2019 July 1, 2018	FY 2020 July 1, 2019	FY 2021 July 1, 2020
Employee Contribution Rate	8.15%	8.15%	8.15%	8.15%	8.15%
Employer Contribution Rate	8.77%	8.87%	8.97%	9.07%	9.17%
State Contribution Rate	2.49%	2.49%	2.49%	2.49%	2.49%
TOTAL Contribution Rate	19.41%	19.51%	19.61%	19.71%	19.81%

FISCAL SUMMARY

	FY 2018 Difference	FY 2019 Difference	FY 2020 Difference	FY 2021 Difference
Expenditures:				
Other - Pension Fund	\$200	\$0	\$0	\$0
Revenue:				
Other - Pension Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Description of fiscal impact: SB 143, as amended, increases the number of years a retiree is eligible to work under 19-20-732, MCA, from three years to four years in their lifetime with no limitation on the amount the retiree can earn without the loss or interruption of TRS benefits. The bill now requires the Office of Public Instruction to verify that an employer has advertised the position prior to TRS approval of their request to hire under this provision. In addition, the bill as amended, expands the definition of “employer” to include education cooperatives, the School for the Deaf and Blind, the Montana Youth Challenge program, state youth correctional facilities and the Office of Public Instruction.

FISCAL ANALYSIS**Assumptions:**

- Subject to the following restrictions, and previous experience with current law, the cost, if any associated with the proposal would not be material.
 - The member has been separated from service for at least two months.
 - The member completed 30 or more years of service before retirement.
 - The position was advertised and the employer was unable to fill it with a qualified non-retired teacher and the position will be advertised in each future year.
 - The Office of Public Instruction verifies that the employer advertised the position.
 - TRS will continue to collect the employer contributions required under 19-20-732, MCA (currently 19.41% of the salaries of working retirees under this provision).
 - Retirees working under this proposal will not pay any portion of the required contributions and this proposal would not increase their benefits due to service or salary while working under this arrangement.
 - The maximum number of years a retiree could be reemployed under this provision without any limitation on what they can earn is four years during their lifetime.
- There will be minimal programming and testing costs associated with modifying the TRS pension administration system which will not exceed \$200 (2 hours at \$100 per hour). The minimal cost to update TRS forms and other documentation would be absorbed in our normal operating budget.
- The actuarial analysis included in this fiscal note is based on the data, methods, assumptions and plan provisions contained in the actuarial valuation of the system performed as of July 1, 2016. This analysis assumed that this is the only statutory amendment being considered. If other provisions are enacted, the actuarial impact associated with this proposal may be different.

	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>	<u>FY 2020</u> <u>Difference</u>	<u>FY 2021</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$200	\$0	\$0	\$0
TOTAL Expenditures	\$200	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
Other - Pension Fund	\$200	\$0	\$0	\$0
TOTAL Funding of Exp.	\$200	\$0	\$0	\$0
<u>Revenues:</u>				
Other - Pension Fund	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
Other - Pension Fund	(\$200)	\$0	\$0	\$0

Effect on Local Governments:

1. The number of retirees who may work under this proposal for four years instead of three years as required in current statute cannot be accurately projected, therefore, it is not possible to calculate the costs school districts may incur.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date